

Message Text

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PAGE 01 GENEVA 07368 122235Z
ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 XMB-02 OPIC-03 MMO-01 JUSE-00 AF-10
EA-10 EUR-12 NEA-11 /173 W
-----087824 131904Z /43

R 121741Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 9609
INFO AMEMBASSY BRASILIA

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PASS STR ELECTRONICALLY
PASS TREASURY

E.O. 11652: N/A
TAGS: ETRD, GATT, BR
SUBJECT: GATT - BALANCE OF PAYMENTS CONSULTATIONS-BRAZIL

1. WE HAVE OBTAINED DRAFT OF BRAZIL BASIC DOCUMENTATION
FOR BOP CONSULTATIONS ALTHOUGH WE UNDERSTAND THAT
BRAZILIANS ARE REWORKING DOCUMENT BEFORE ALLOWING GATT
SECRETARIAT TO RELEASE IT. DOCUMENT MAKES FOLLOWING
POINTS:

A. BOP ADJUSTMENT PROCESS IS BEGINNING TO YIELD
RESULTS ALTHOUGH THE DEFICIT ON CURRENT TRANSACTION IS
STILL SUBSTANTIAL. IT IMPROVED \$2 BILLION IN 1977 FROM
A DEFICIT OF \$5.9 TO ONE OF \$3.9 BILLION.

B. CONTINUED RELIANCE ON IMPORT RESTRAINTS IS
NECESSITATED BY INCREASING INDEBTEDNESS. AVERAGE ANNUAL
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FOREIGN EXCHANGE LOANS AVERAGED \$5.3 BILLION ANNUALLY IN
1974-79 PERIOD AS COMPARED TO \$1.8 BILLION IN THE PRE-
VIOUS 4-YEAR PERIOD. TOTAL INDEBTEDNESS WAS \$30 BILLION
IN SEPTEMBER 1977 WITH YEAR-END RESERVES OF \$7.2 BILLION.

C. RATIOS OF FOREIGN DEBT TO EXPORTS AND IMPORTS
HAVE INCREASED IN LAST FEW YEARS WITH RATIO OF GROSS

DEBT TO EXPORTS OF 2.14 IN 1977 AND OF NET DEBT (GROSS
DEBT MINUS LIQUIDITY RESERVES) OF 1.61.

D. IMPROVEMENTS IN TRADE BALANCE ARE NOT SUFFICIENT
TO ALLOW A MORE LIBERAL POLICY REGARDING IMPORTS WHOSE
NOMINAL GROWTH SHOULD BE MODEST OVER THE NEXT FEW YEARS.

E. NEVERTHELESS, REFUNDABLE IMPORT DEPOSIT REQUIRE-
MENT HAS BEEN WAIVED ON MANY OCCASIONS AND RATIO OF
IMPORTS SUBJECT TO THE REFUNDABLE LEVY TO TOTAL IMPORTS
IS 1.4 AND DECLINING.

F. FURTHER IMPORT LIBERALIZATION WILL BE UNDERTAKEN
AS SOON AS INCREASES IN EXPORTS MAKE IT POSSIBLE TO ABSORB
THE DEBT BURDEN INCURRED BY THE BRAZILIAN ECONOMY SINCE
1973.

2. DETAILED 25-PAGE DOCUMENT HAS BEEN POUCHED TREASURY
(ATTENTION BARBER). SORENSON

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
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Concepts: DOCUMENTS, BALANCE OF PAYMENTS, FINANCIAL AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition Reason:
Disposition Remarks:
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ISecure: 1
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Litigation History:
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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